

Message Text

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ACTION STR-04

INFO OCT-01 ARA-06 EUR-12 IO-13 ISO-00 STRE-00 SSO-00

NSCE-00 USIE-00 INRE-00 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 ITC-01

TRSE-00 PRS-01 SP-02 FEAE-00 OMB-01 AF-08 EA-07

NEA-10 OIC-02 XMB-02 OPIC-03 /137 W
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O R 221146Z JUL 76

FM USDEL MTN GENEVA

TO SECSTATE WASHDC IMMEDIATE 1775

INFO USMISSION EC BRUSSELS

AMEMBASSY BRASILIA

C O N F I D E N T I A L MTN GENEVA 5840

ACTION STR FOR AMBASSADOR YEUTTER

E.O. 11652: GDS

TAGS: ETRD MTN GATT

SUBJECT: FURTHER HANDLING OF BRAZILIAN REFORM GROUP PROPOSAL

REF: MTN GENEVA 5814

1. CIRCULATION OF BRAZIL'S PROPOSED TERMS OF REFERENCE FOR GATT REFORM GROUP INCREASES PRESSURE FOR EARLY ACTION TO ESTABLISH SUCH A GROUP. AT 7-PLUS-7 MEETING JULY 27 U.S. SHOULD BE IN POSITION TO INDICATE WHETHER WE WILL PROPOSE ADDITION OF TOPICS OF INTEREST TO US AND, IF SO, WHAT TOPICS. GUIDANCE NEEDED ASAP FOR ADVANCE DISCUSSION WITH OTHER DCS AND TO MAXIMIZE WHATEVER LEVERAGE MAY REMAIN TO US FOLLOWING RECENT G-18 MEETING (WHERE, ACCORDING TO CONSENSUS OF MOST COUNTRY REPS HERE, AGREEMENT IN PRINCIPLE TO BRAZILIAN PROPOSAL WAS EVIDENT). OTHER DELS ALREADY INQUIRING AS TO OUR PLANS BUT SEEM CONTENT THEMSELVES TO NIT-PICK BRAZILIAN
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PAPER.

2. WE BELIEVE ESTABLISHMENT OF BRAZILIAN GROUP IN NEAR FUTURE TO BE INEVITABLE. BASIC OPTIONS TO US SEEM TO BE EITHER TO TRY TO CONFINE GROUP AS NARROWLY AS POSSIBLE TO LIMITED RANGE OF LDC INTEREST ITEMS (E.G., NON-MFN TREATMENT; NON-RECIPROCITY) AND PRESS FOR LDC ASSUMPTION OF MORE SPECIFIC OBLIGATIONS WHEN AND IF AGREEMENT REACHED TO GIVE THEM SOMETHING ON THOSE ISSUES; OR, ALTERNATIVELY, SEEK TO BROADEN SCOPE OF REFORM GROUP TO INCLUDE ITEMS OF "DC INTEREST".

3. FIRST OPTION WOULD ALLY US WITH EUROPEANS AND JAPANESE. APPROPRIATE COURSE OF ACTION WOULD BE TO BEGIN HAGGLING OVER BRAZILIAN PROPOSED TERMS OF REFERENCE IN ORDER TO NARROW DOWN COVERAGE AS FAR AS POSSIBLE (ALTHOUGH WE ANTICIPATE TROUBLE IN DISENGAGING ISSUES OF BOP REFORM AND DISPUTE SETTLEMENT ALREADY PROPOSED FOR INCLUSION BY BRAZILIANS.)

4. ALTERNATIVE COURSE OF PRESSING FOR ADDITION OF TOPICS OF INTEREST TO U.S. WILL RISK FURTHER DISAGREEMENT WITH LDCS AND, IN ADDITION, WILL FORCE OBJECTIONS FROM DCS. EC AND JAPANESE NERVOUSNESS ON GATT REFORM WAS REKINDLED IN COURSE OF RECENT G-18 MEETING; CANADIAN OBJECTION TO ANY EFFORT TO INCLUDE SUPPLY ACCESS IS PREDICTABLE, AND EC AND JAPAN MAY NOT BE READY TO AGREE TO SUPPLY ACCESS DISCUSSIONS AT THIS STATE. NEVERTHELESS, POSITIVE OBJECTIVES ON OUR PART COULD PUT US IN STRONGER BARGAINING POSITION TO INFLUENCE OVERALL SHAPE OF GROUP AND TERMS OF REFERENCE, AS WELL AS POSSIBLY GETTING ACTUAL RESULTS. IT WOULD ALSO DEMONSTRATE TO U.S. DOMESTIC AUDIENCE A SERIOUS EFFORT TO CARRY OUT GATT REFORM AND SUPPLY ACCESS MANDATES OF TRADE ACT.

5. DESPITE DIFFICULTIES, WE LEAN TO ALTERNATIVE APPROACH. WE WOULD ACCEPT INCLUSION OF BOP RULES AND DISPUTE SETTLEMENT (AS PRESENTLY COMPREHENDED IN BRAZILIAN PROPOSAL) AND SEEK ADDITION OF A FORMULATION ON SUPPLY ACCESS DESIGNED TO PRESERVE OUR ABILITY TO RAISE ALL ASPECTS OF SUBJECT ELSEWHERE IN MTN IF NECESSARY. IF OUR INITIATIVE IS REBUSED, WE ARE IN A MUCH STRONGER TACTICAL POSITION TO BE LESS COOPERATIVE TOWARD PURELY LDC REFORM TOPICS. IF OUR PROPOSALS ARE ACCEPTED IN PRINCIPLE, WE ARE ALSO IN A STRONGER POSITION TO INFLUENCE PRECISE TERMS OF REFERENCE SINCE REFORM GROUP WILL BE DEALING WITH TOPICS SPON-

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6. ACCORDINGLY, WE RECOMMEND REMINDING 7-PLUS-7 MEETING THAT OUR RESERVATIONS STILL STAND AND THAT WE HAVE NOT YET ACCEPTED BRAZILIAN PROPOSAL, EVEN IN PRINCIPLE, OWING NOT ONLY TO CONTINUING UNCERTAINTIES ABOUT WORK PROGRAM BUT ALSO TO OUR PREVIOUSLY STATED INTEREST IN INCLUDING ITEMS OF IMPORTANCE TO DCS. WE SHOULD NOTE THAT OUR PRELIMINARY AIM WOULD BE INCLUSION OF SUPPLY ACCESS

AS A TOPIC FOR DISCUSSION, BUT THAT WE WOULD BE CONSULTING DELEGATIONS ON POSSIBLE FORMULATION OF THIS ISSUE AS WELL AS OTHER POSSIBLE TOPICS OF INTEREST TO DCS. (NOTE: THIS WOULD AVOID THE NEED TO SPECIFY NOW HOW WE WOULD CAST THE SUPPLY ACCESS ISSUE AND GIVE US FURTHER TIME TO CONSIDER WHICH GATT REFORM ISSUES (IF ANY) WE ULTIMATELY WANT TO PROPOSE FOR THE AGENDA.) IN ADDITION, WE SHOULD RAISE QUESTIONS ON FOUR ITEMS PROPOSED BY BRAZIL IN ORDER TO PRESERVE FALLBACK POSITION OF QUARRELING OVER ITEMS OF REFERENCE.

7. LIKELY OUTCOME OF MEETING WOULD THEN BE AGREEMENT ON FURTHER CONSIDERATION OF BRAZILIAN-PROPOSED TERMS OF REFERENCE (NO DECISION) AS WELL AS CONSIDERATION OF U.S. IDEAS FOR ADDITIONAL TOPICS(S). THIS WOULD SET STAGE FOR SERIES OF FURTHER 7-PLUS-7 MEETINGS TO RESOLVE WORK PROGRAM AND CONCURRENTLY REFINE TERMS OF REFERENCE.

8. ACTION REQUESTED: INSTRUCTIONS ASAP AND IN ANY CASE PRIOR TO 7-PLUS-7 MEETING JULY 27.
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